

HAVING BEEN A COUNTY RISK MANAGER...

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Subject: The Risk Management
Process and its role in the working
day of a County Risk Manger

**Purpose: To convince you that the
Risk Management Process should
become a part of the way you view
your world.**

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Change is inevitable...

Except from a vending machine.

The impact of the changes in the way we view, buy, and sell risk services and insurance caused by the Y2K scare of the late 90's and the terrorist attacks of September 11, 2001, is as great as the impact of changes that occurred in the previous 25 years.

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EVOLUTIONARY STEPS

- ♦ Code of Hammurabi
 - Set out rights of injured party to be compensated (depended on station on life)
 - Defined responsibilities for loss prevention

INDEMNIFICATION

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EVOLUTIONARY STEPS

- ♦ Around 1750, **Lloyd's Tea Room in London** became the setting for a huge change in risk management
- ♦ Ship-owners spreading the risk among their peers
- ♦ Substitution of a small **certain** loss to offset the possibility of a large **uncertain** loss

INSURANCE

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RISK MANAGEMENT

- ♦ RISK- A variation of outcomes from a given set of circumstances

The difference between expected and actual

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RISK MANAGEMENT

- ♦ MANAGEMENT- The accomplishment of objectives with people and machines

Doing things right

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RISK MANAGEMENT

- Managing Risks-An Important County Function
- ***-Risk of Fire***
- ***-Risk of Crime and Disorder***
- ***-Risk of Automobile Accidents***
- ***-Risk of Hazardous Waste Disposal***
- ***-Risk of Employment***

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UNDERSTANDING RISK

- Risk is the obstacle that stands between us and a predictable future.
- Risk Management means taking steps to improve the chances that our plans, hopes, and actions will lead to the intended results.

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WHY IS RISK A BIG DEAL?

- 5% to 20% of a typical small county budget is consumed by the cost of risk.
- When a loss occurs, \$10 to \$25 in indirect losses occur for every \$1 in direct losses.
- Utah Counties deal with many high risk issues: Sheriff and jail operations, Firefighting, Solid Waste, Employees

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RISK MANAGEMENT

- ◆ refers to all efforts undertaken by County government to:
 - Identify and Assess its risks
 - Develop and implement measures to control those risks
 - Adopt measures to finance risks and the losses produced by risks
- These efforts are all in the service of the overall goals of the County.*

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THE RISK MANAGEMENT PROCESS

- ♦ *An organized, continuous and thorough process of*
 - *Identifying exposures*
 - *Measuring them (analysis)*
 - *Deciding how to treat the exposures*
 - *Implement, Monitor and fine tune, if necessary*

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IDENTIFYING EXPOSURES

- ♦ If you don't know you have it...
- ♦ Helpful aids in exposure identification
 - Budget
 - Audit
 - Agenda
 - Organization chart
 - Checklists

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RISK ANALYSIS

♦ Qualitative Analysis (What?)

- Review and categorize exposures ⓘ
- Identify clear frequency and severity patterns ⓘ
- Start developing assumptions, alternatives, options
- What are the contract and compliance issues?

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CLASSIFYING EXPOSURES

- ♦ Property
 - Real
 - Personal
- ♦ Liability
- ♦ Income
- ♦ Human Resources

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RISK ANALYSIS

- ♦ Quantitative Measurement (How Much?)
 - Quantify exposures
 - Project losses
 - Determine the cost of risk

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EXPOSURE TREATMENTS

- ♦ **Risk Control**-An action to minimize the impact of losses on the organization
 - Avoidance
 - Prevention
 - Reduction
 - Segregation
 - Combination
 - Physical Transfer

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EXPOSURE TREATMENTS

♦ Risk Financing

- Retention
 - Active
 - Passive
- Transfer
 - Insurance
 - Non-insurance

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FREQUENCY AND SEVERITY

- ♦ How often?
- ♦ How bad?

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FREQUENCY

How Often

1. Remote	• Remote (1 in 100 year event)
2. Unlikely	• Improbable (1 in 50 - 100 years)
3. Possible	• 1 in 15 - 25 year event
4. Likely	• Probable (1 in 5 -15 year event)
5. Almost Certain	• Expected (1 in 1 - 5 year event)

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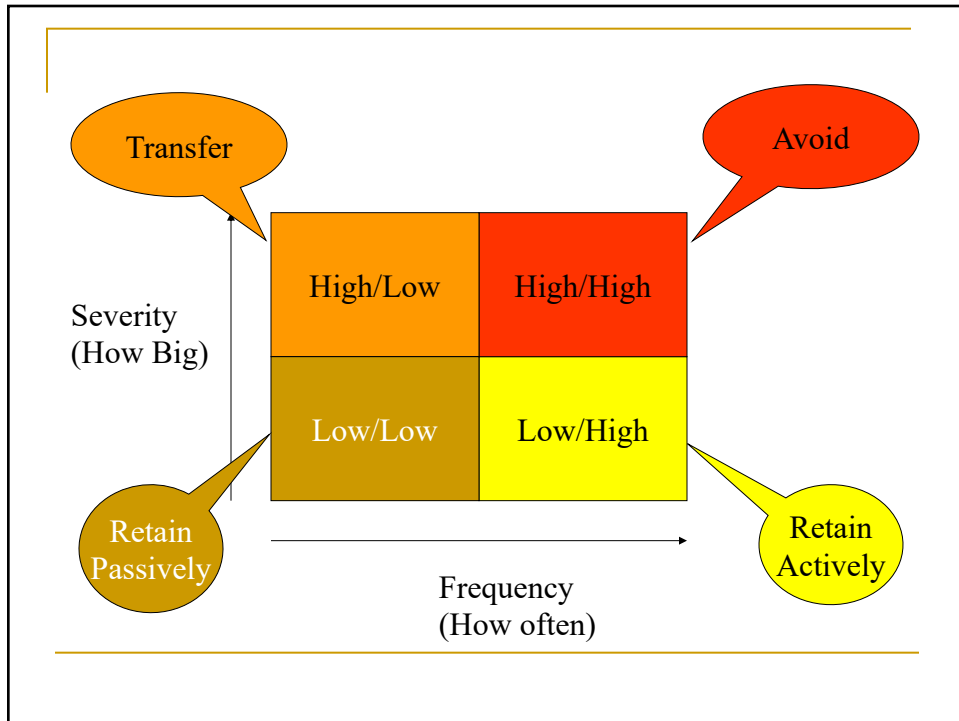
IMPACT OF FREQUENCY AND SEVERITY

♦ *Severity*

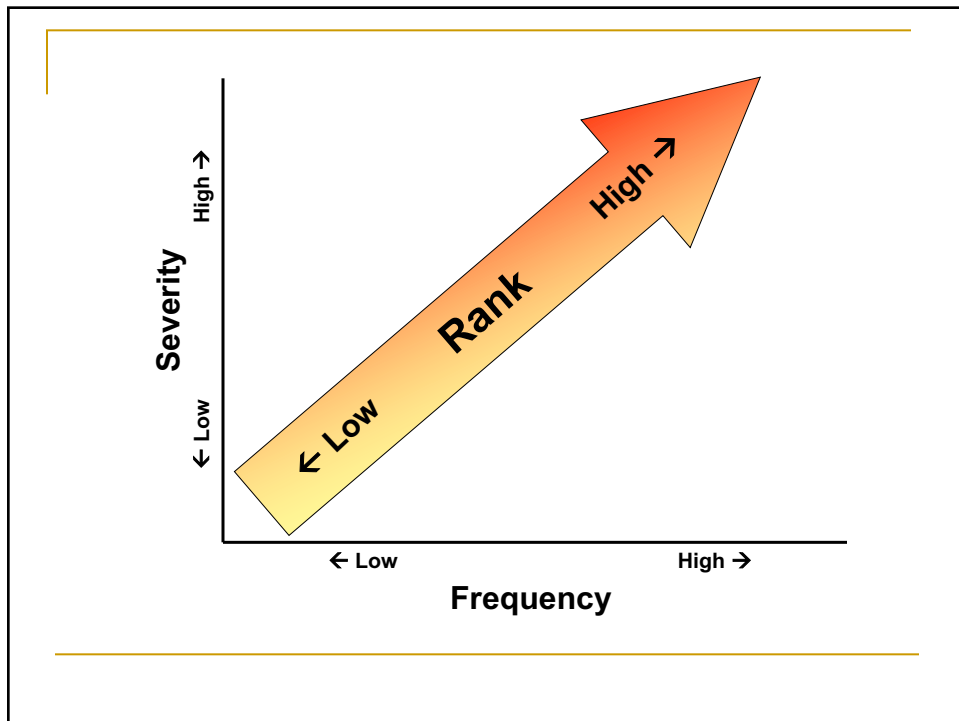
In most cases, the dollar amount of each loss.

1. Slight
2. Significant
3. Severe

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IMPLEMENTING A RISK MANAGEMENT PROGRAM

- ♦ “Implementing” implies design and structure
- ♦ Internal and external parts
- ♦ Internal
 - Departments-Commit, Participate, Communicate
 - Training
 - Allocations- accountability
 - Performance standards

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MONITORING

- ♦ Claims reports
- ♦ Cost projections compared to actual
- ♦ Benchmarks 
- ♦ Are all parties committed? Feedback?

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THIS IS NOT THE END

- ◆ UCIP staff can and will help you with your County Risk Management program
 - ◆ It's always a pleasure to spend time with you
- THANKS

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Mouse Snack

Stick your mouse pointer in this guy's face and he'll grab it and eat it.

http://www.expression.philips.com.br/artes/venc2003/obrasflash/rmello/o_incomodo.swf

Perpetual Bubble Wrap

Point, click, and pop, pop, pop!

<http://uptowncity.com/comedy/Amuse/bubble.htm>

Sand Sculpture

Maneuver your mouse to sprinkle colorful grains of sand into a beautiful work of art. No clean-up.

<http://games.zeeks.com/game.php?q=1376&s=4&category=4&level=0>

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Yo-Yo

Well, kind of. This dangling balloon attaches itself to your pointer.

<http://www.geocities.com/clownstaples/swf/ballonstring.html>

Follow The Leader

Five colorful circles play follow-the-mouse-pointer around your computer screen.

<http://www15.brinkster.com/emrys/testtrail2.htm>

PC Sound Symphony

Enjoy a three-minute symphony composed entirely of Microsoft Windows system sounds.

<http://home.comcast.net/~tianyu/winnoise.swf>

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Ba Dum Bum Chh

Clicks are your sticks on this drum set.

<http://www.kidsware.com/drumset.html>

Pluck the Strings of a Martin Acoustic Guitar

Scroll down the page a bit to find the online guitar tuner.

http://www.mienet.net/music/guitar/guitar_tuner.html

Type a Tune

Play a simple melody on your computer keyboard.

http://www.frontiernet.net/~imaging/play_a_piano.html
